



**MAQUASSI HILLS
LOCAL MUNICIPALITY**

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2012

Maquassi Hills Local Municipality

ACCOUNTING POLICIES

for the year ended 30 June 2012

Maquassi Hills Local Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012

General information

Members of the Council

G.V. Kgabi	Mayor
O.S. Duffy	Speaker
K.G. Mojela	Member
G.J. van Zyl	MEC Admin Services
N.L. Tshingilane	Member
K.S. Seakane	Member
M.S. Sejeso	MEC Engineering Services
K.N. Kgaodi	Member
M.D. Matete	MEC Community Services
K.A. Mogapi	Member
O.H. Botsietseng	Member
T.S. Selete	MEC Finance
G.P. Motswagole	Member
S.J. Lesie	Member
N.W. Ntiane	Member
M.D. Sereotsi	Member
M.E. Motaung	Member
D.K. Mohadi	Member
B.J. Mahumapelo	Member
G.J. Muller	Member
J. Pheiffer	Member

Municipal Manager

I.R. Jonas

Chief Financial Officer

C. Wenum

Grading of Local Authority

GRADE 5

Auditors

Auditor-General
Northwest Province
Potchefstroom Offices

Bankers

ABSA Bank Limited
Wolmaransstad

Maquassi Hills Ltd
ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2014

General information (continued)

Registered Office:

Physical address:

Postal address:

Telephone number:

Fax number:

E-mail address:

ocal Municipality
IAL STATEMENTS
ad 30 June 2012

19 Krugerstreet, Wolmaransstad

19 Kruger Street
Wolmaranstad
2630

Private Bag X3
Wolmaransstad
2630

(018) 596 1067

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Maquassi Hills Local Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2011

Index	Page
General information	2-3
Approval of annual financial statements	4
Statement of Financial Position	5
Statement of Financial Performance	6
Statement of Changes in Net Assets	7
Cash Flow Statement	8
Accounting Policies	9-30
Notes to the Annual Financial Statements	31-62
Appendix A: Schedule of External Loans	63
Appendix B: Analysis of Property, Plant and Equipment	64-67
Appendix C: Actual versus Budget	68
Appendix D: Supply chain management deviations	69
Appendix E: Investments Schedule	70

Maquassi Hills Local Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012

Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages **1 to 7**, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 26 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

I.R. Jonas MA.History, HDE, PHD Public Management
Municipal Manager:

DATE:.....

Maquassi Hills Local Municipality STATEMENT OF FINANCIAL POSITION for the year ended 30 June 2012			
	Note	2012 R	2011 R
ASSETS			
Current assets			
Cash and cash equivalents	1	4 926 728	4 263 116
Trade and other receivables from exchange transactions	2	14 085 335	14 147 045
Other receivables from non-exchange transactions	3	34 539 523	4 350 477
Inventories	4	821 706	856 866
Investments	5	670 960	673 430
Current portion of receivables	6	-	-
VAT receivable	14	11 524 059	12 349 650
Non-current assets			
Non-current receivables	6	-	-
Property, plant and equipment	7	506 147 896	515 845 731
Intangible assets	8	49 124	50 840
Investment property carried at cost	9	-	-
Total assets		572 765 332	552 537 154
LIABILITIES			
Current liabilities			
Trade and other payables from exchange transactions	11	81 211 658	60 325 838
Consumer deposits	12	1 918 990	1 798 794
VAT payable	13	24 736 552	18 576 819
Bank overdraft	1	7 103 618	21 209 710
Current portion of unspent conditional grants and receipts	16	1 300 228	5 110 062
Current portion of borrowings	17	3 492 872	1 130 960
Non-current liabilities			
Non-current borrowings	17	50 009 159	53 825 908
Non-current provisions	15	40 866 605	32 539 055
Total liabilities		210 639 680	194 517 145
Net assets		362 125 652	358 020 009
NET ASSETS			
Accumulated surplus / (deficit)		362 125 652	358 020 009
Total net assets		362 125 652	358 020 009

Maquassi Hills Local Municipality STATEMENT OF FINANCIAL PERFORMANCE for the year ended 30 June 2012			
	Note	2012 R	2011 R
Revenue			
Property rates	18	18 619 911	19 163 696
Service charges	19	93 769 067	84 504 890
Rental of facilities and equipment	20	211 087	333 003
Interest earned - external investments	21	670 220	681 038
Interest earned - outstanding receivables	22	14 425 971	12 222 069
Fines		3 026 987	6 659 132
Dividends		1 699	10 940
Licences and permits		9 916 387	8 854 783
Government grants and subsidies	23	107 661 242	122 505 803
Other income	24	1 380 233	1 283 484
Total revenue		249 682 803	256 218 839
Expenses			
Employee related costs	25	45 893 002	47 760 140
Remuneration of councillors	26	6 203 747	4 409 588
Debt impairment		54 227 461	50 554 103
Depreciation and amortisation expense	27	25 654 484	24 801 791
Repairs and maintenance		2 906 684	2 092 174
Finance costs	28	9 120 591	5 666 715
Bulk purchases	29	53 460 778	44 168 410
Contracted services	30	5 222 252	7 185 722
General expenses	31	41 969 204	37 236 829
Total expenses		244 658 203	223 875 471
Gain / (loss) on sale of assets	32	(918 960)	(791 924)
Surplus / (deficit) for the period		4 105 640	31 551 444

Maquassi Hills Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012	2011
	R	R
10 NON-CURRENT ASSETS HELD FOR SALE		
Property, plant and equipment	-	-
Investment property	-	-
Other assets	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

Municipality has taken advantage of the transitional provisions of Directive 4

11 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Trade creditors	57 885 409	14 561 150
Payments received in advance	2 192 991	1 347 645
Retentions	8 115 735	6 594 791
Leave provision	3 993 237	3 742 483
Other creditors	9 024 286	8 651 558
Total creditors	<u>81 211 658</u>	<u>34 897 627</u>

The fair value of trade and other payables approximates their carrying amounts.

Present value of trade and trade payables

Trade and trade payables	62 393	72 210
Discounting	<u>(7 216)</u>	<u>(8 877)</u>
Present value of trade and trade payables	<u>55 177</u>	<u>63 333</u>

A list of all payments made during the year was compiled and the payment dates were compared to the invoice dates of all individual suppliers.

If the payment date is more than 30 days from the invoice date and no interest was charged by the supplier, the present value of the obligation was calculated using an interest rate of 14%, which is an average rate based on the rates charged by the largest 3 suppliers locally.

Where the invoice was paid during the year, the difference between the Fair value and the invoice amount was reallocated from the expense.

Where the creditor is still outstanding at year end, the creditor is impaired with the difference and the expense. All suppliers that raised interest on overdue payments and other non-interest bearing suppliers were left out of the calculations

12 CONSUMER DEPOSITS

Electricity and Water	1 918 990	1 798 794
Total consumer deposits	<u>1 918 990</u>	<u>1 798 794</u>

The amounts reflected represent a cost value as it is impracticable to determine fair value.

Maquassi Hills Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012	2011
	R	R

Management however believes that the cost value approximates the fair value.

13 VAT PAYABLE

VAT payable	24 736 552	-
-------------	------------	---

VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

14 VAT RECEIVABLE

VAT receivable	11 524 059	10 759 356
----------------	------------	------------

VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

Maquassi Hills Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012	2011
	R	R
15 PROVISION		
Provision for rehabilitation of landfill sites	(19 732 250)	
Provision for long-service awards	1 999 116	1 650 267
Provision for post-employment health care benefits	19 135 239	12 877 400
Total Non-Current Provisions	1 402 105	14 527 667

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. A report was compiled after the landfill sites were visited and inspected. This report was done onhand of the Guideline Document for the Evaluation of the quantum of closure related financial provision and Section B: working manual for the assessment of the quantum and annexures. The net present value is calculated as the present value of the future obligation, and discounted at a rate of 9.5543%

The net present value (NPV) amount of the previous year is deducted from the NPV amount of the following year to indicate the movement per annum, which include the capital as well as the interest factor

16 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

Unspent Conditional Grants from other spheres of Government

Municipal Infrastructure Grant	-	3 546 237
Dr Kenneth Kaunda District Municipality	-	-
Finance Management Grant	(1)	339 476
Provincial Government Library Grant	1 150 260	621 476
Provincial Gazette Disaster Grant	-	-
DWAF Bulk Water	2	2
DBSA Grant (IT System)	-	-
Provincial Government Bulk Water (PIG)	-	513 555
DWAF Water Demand	-	-
DBSA Water Demand	-	-
Municipal Systems Improvement Grant	-	89 316
EPWP Roads	149 967	-
Total Unspent Conditional Grants and Receipts	1 300 228	5 110 062

Non-current unspent conditional grants and receipts
Current portion of unspent conditional grants and receipts

-	-
1 300 228	5 110 062

See Note 23 for reconciliation of grants and receipts. These amounts are invested in ring-fenced investments until utilised.

Maquassi Hills Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012	2011
	R	R
17 BORROWINGS		
Annuity Loans	53 502 030	54 956 868
Less : Current portion transferred to current liabilities		
Annuity Loans	(3 492 872)	(1 130 960)
Total borrowings	50 009 159	53 825 908

Refer to Appendix A for more detail on borrowings.

18 PROPERTY RATES

Actual

All categories	18 619 911	19 163 696
Total property rates	18 619 911	19 163 696
Property rates - penalties imposed and collection charges	-	-
Total	18 619 911	19 163 696

Valuations

Residential	728 786 558	739 310 915
Business/ Commercial	197 648 029	197 141 255
Government	67 385 863	67 016 400
Agriculture	1 038 323 131	1 601 861 500
Other	586 480 500	6 058 500
Totals	2 618 624 081	2 611 388 570

The total valuation for the year ended 30 June 2011 was disclosed as R2,682,212,363. No breakdown was available. This value was stated incorrectly. The breakdown was obtained and is now disclosed correctly.

In terms of the Municipal Property Rates Act, Act 6 of 2004 (MPRA) valuations on land and buildings are performed every 4 years.

The last general valuation came into effect on 1 July 2010. Interim valuations are processed on a quarterly basis to take into account changes in individual property values due to consolidations, subdivisions and alterations.

Rates are levied on a monthly basis

Interest is levied on rates outstanding after 30 days at a prime rate plus 1%

Income foregone

In terms of the Municipal Property rates Act, Act 6 of 2004 rebates and exemptions from property rates are given.

The following income foregone is applicable to the year under review:

Residential	(210 326)	(188 750)
Business/ Commercial	-	(253)
Government	(8 086)	(7 731)
Agriculture	(75 774)	(306 428)
Other	(44 405)	(10 376)

Maquassi Hills Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012	2011
	R	R
Total	<u>(338 591)</u>	<u>(513 538)</u>
19 SERVICE CHARGES		
Sale of electricity	34 161 432	28 503 043
Sale of water	29 542 535	27 805 317
Refuse removal	9 668 248	9 211 745
Sewerage and sanitation charges	20 396 852	18 984 785
Total Service Charges	<u>93 769 067</u>	<u>84 504 890</u>
20 RENTAL OF FACILITIES AND EQUIPMENT		
Rental of facilities	211 087	333 003
Other rentals	-	-
Total rentals	<u>211 087</u>	<u>333 003</u>

Maquassi Hills Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012	2011
	R	R
21 FINANCE INCOME - EXTERNAL INVESTMENTS		
Bank	670 220	681 038
Total interest	670 220	681 038
22 FINANCE INCOME - OUTSTANDING RECEIVABLES		
Consumer and other debtors	14 425 971	12 222 069
Total interest	14 425 971	12 222 069
23 GOVERNMENT GRANTS AND SUBSIDIES		
Equitable share	69 238 000	58 941 788
MIG Grant	31 962 237	21 037 558
Other Government Grants and Subsidies	6 461 005	42 526 457
Total Government Grant and Subsidies	107 661 242	122 505 803
Equitable Share		
	5 228 493	7 185 523
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy which is funded from the grant.		
Municipal Infrastructure Grant		
Balance unspent at beginning of year	(3 546 237)	(957 794)
Current year receipts	(28 416 000)	(23 626 000)
Conditions met – transferred to revenue	31 962 237	21 037 558
Conditions still to be met - transferred to liabilities	-	(3 546 237)
Provincial Gazette Disaster Grant		
Balance unspent at beginning of year	-	-
Current year receipts	-	-
Conditions met – transferred to revenue	-	-
Conditions still to be met - transferred to liabilities	-	-
Provincial Government Library Grant		
Balance unspent at beginning of year	(621 476)	(2 660 094)
Current year receipts	(2 200 000)	(450 000)
Conditions met – transferred to revenue	1 671 216	2 488 618
Conditions still to be met - transferred to liabilities	(1 150 260)	(621 476)

Maquassi Hills Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012	2011
	R	R
Finance Management Grant		
Balance unspent at beginning of year	(339 476)	(10 361)
Current year receipts	(1 250 000)	(1 000 000)
Conditions met – transferred to revenue	1 589 477	670 885
Conditions still to be met - transferred to liabilities	<u>1</u>	<u>(339 476)</u>
DWAF Bulk Water		
Balance unspent at beginning of year	(2)	(23 301 231)
Current year receipts	-	-
Conditions met – transferred to revenue	-	23 301 230
Conditions still to be met - transferred to liabilities	<u>(2)</u>	<u>(2)</u>
Dr Kenneth Kaunda District Municipality		
Balance unspent at beginning of year	-	-
Current year receipts	(1 242 685)	-
Conditions met – transferred to revenue	1 242 685	-
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>-</u>
DBSA Grant (IT System)		
Balance unspent at beginning of year	-	-
Current year receipts	-	(98 937)
Conditions met – transferred to revenue	-	98 937
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>-</u>
Provincial Government Bulk Water (PIG)		
Balance unspent at beginning of year	(513 555)	(5 000 000)
Current year receipts	-	(7 500 000)
Conditions met – transferred to revenue	513 555	11 986 445
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>(513 555)</u>
DWAF Water Demand		
Balance unspent at beginning of year	-	-
Current year receipts	-	-
Conditions met – transferred to revenue	-	-
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>-</u>
DBSA Water Demand		
Balance unspent at beginning of year	-	-
Current year receipts	-	(100 000)
Conditions met – transferred to revenue	-	100 000
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>-</u>
Municipal Systems Improvement Grant		
Balance unspent at beginning of year	(89 316)	(11 486)

Maquassi Hills Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012	2011
	R	R
Current year receipts	(790 000)	(750 000)
Conditions met – transferred to revenue	879 316	672 171
Conditions still to be met - transferred to liabilities	-	(89 316)

EPWP Roads

Balance unspent at beginning of year	-	-
Current year receipts	(494 723)	-
Conditions met – transferred to revenue	344 756	-
Conditions still to be met - transferred to liabilities	(149 967)	-

24 OTHER INCOME

Other income

Advertising	80 580	81 829
Blocked sewerage fees	6 627	11 400
Building plans fees and copies	81 342	87 850
Cemetery fees	126 697	164 303
Change of circuit breakers	755	
Cleaning of stands	2 761	3 400
Clearance certificates	17 170	15 740
Connection fees : electricity	39 198	5 540
Connection fees : sewerage	3 519	9 660
Connection fees : water	13 412	7 629
Deeds search	-	-
Encroachment	723	723
Garden refuse removal	552	1 000
Lost books library	-	-
Poster fees	11 432	1 892
Meter testing	5 302	
Reconnections : electricity	36 374	64 792
Reconnections : water	12 339	14 466
Rd cheque charges	-	-
Sales: refuse bins	212	2 063
Sales: sand and gravel	830	10 200
Sales: town maps	-	-
Sub division of erven	1 325	719
Sundries	267 030	511 377
Supply of information	92 708	83 751
Surplus: cash	365	265
Seta	339 611	-
Sale of inventory	160 208	172 532
User fees	5 815	5 229
Valuation certificates	937	3 409
Cross subsidisation to:	830	830
Other	71 580	22 886

Maquassi Hills Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012	2011
	R	R
Total Other Income	1 380 233	1 283 484

25 EMPLOYEE RELATED COSTS

Employee related costs - Salaries and Wages	27 113 023	26 943 401
Employee related costs - Contributions for UIF, pensions and medical aids	8 563 190	8 386 518
Travel, motor car, accommodation, subsistence and other allowances	2 176 263	2 209 420
Housing benefits and allowances	254 365	280 808
Overtime payments	367 424	2 160 918
Performance and other bonuses	1 965 988	2 036 167
Long-service awards	185 945	120 715
Other employee related costs	667 458	597 017
Total Employee Related Costs	41 293 655	42 734 965

There were no advances to employees

Remuneration of the Municipal Manager

Annual Remuneration	929 083	683 141
Performance- and other bonuses	113 703	-
Travel, motor car, accommodation, subsistence and other allowances	249 805	276 486
Contributions to UIF, Medical and Pension Funds	92 599	174 327
Total	1 385 190	1 133 954

The post for Municipal Manager was vacant since April 2012.

Remuneration of the Chief Finance Officer

Annual Remuneration	747 518	708 242
Performance- and other bonuses	-	-
Travel, motor car, accommodation, subsistence and other allowances	334 856	318 368
Contributions to UIF, Medical and Pension Funds	1 497	-
Total	1 083 872	1 026 610

Remuneration of Individual Executive Directors	Technical Services	Corporate Services	Community Services
	R	R	R
2012			
Annual Remuneration	582 360	-	588 917
Performance- and other bonuses	-	-	-
Travel, motor car, accommodation, subsistence and other allowances	404 953	-	238 884
Contributions to UIF, Medical and Pension Funds	160 983	-	154 188
Total	1 148 296	-	981 989

Maquassi Hills Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

		2012	2011
		R	R
	Technical Services	Corporate Services	Community Services
	R	R	R
2011			
Annual Remuneration	707 345	406 906	714 668
Performance- and other bonuses	-	-	-
Travel, motor car, accommodation, subsistence and other allowances	350 174	259 501	167 995
Contributions to UIF, Medical and Pension Funds	125 677	14 415	117 930
Total	1 183 196	680 822	1 000 593
Total employee related cost		45 893 002	47 760 140
26 REMUNERATION OF COUNCILLORS			
Mayor		384 036	368 591
Deputy Mayor		-	-
Speaker		305 476	299 673
Executive Committee Members		913 023	860 283
Councillors		1 937 085	1 312 802
Councillors' pension and medical aid contributions		521 843	282 216
Councillors' allowances		2 142 285	1 286 022
Total Councillors' Remuneration		6 203 747	4 409 588
27 DEPRECIATION AND AMORTISATION EXPENSE			
Property, plant and equipment		25 640 768	24 792 433
Intangible assets		13 717	9 357
Investment property carried at cost		-	-
Total Depreciation and Amortisation		25 654 484	24 801 791

Maquassi Hills Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012	2011
	R	R
28 FINANCE COSTS		
Borrowings	5 902 027	2 937 202
Interest paid on overdue accounts	3 218 564	2 729 513
Bank overdrafts	-	-
Total Finance Costs	9 120 591	5 666 715
29 BULK PURCHASES		
Electricity	26 074 665	21 482 796
Water	27 386 113	22 685 614
Total Bulk Purchases	53 460 778	44 168 410
30 CONTRACTED SERVICES		
Contracted Services	5 222 252	7 185 722
31 GENERAL EXPENSES		
Included in general expenses are the following:-		
Advertising	106 319	195 822
Admin fees	-	-
Audit fees	2 652 751	2 075 073
Bank charges	442 202	257 812
Conferences and delegations	-	-
Consulting fees	3 504 122	2 523 762
Consumables	-	-
Cleaning	72 684	59 720
Departmental consumption	1 336 007	769 327
Entertainment	139 994	29 559
Fuel and oil	1 294 616	1 282 957
Grants	-	69 346
Insurance	-	-
Legal expenses	4 420 332	1 010 842
Levies paid	-	-
Licence fees	84 276	104 891
Membership fees	322 816	274 707
Postage	191 968	158 986
Printing and stationery	464 792	1 197 077
Rental of office buildings	-	-
Rental of office equipment	-	-
Other rentals	-	-
Security costs	29 687	12 001
Skills development levies	359 124	378 931
Stocks and material	34 336	27 322

Maquassi Hills Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012	2011
	R	R
Subscription and publication	65 001	24 398
Telephone cost	551 497	520 329
Training	271 383	142 294
Travel and subsistence	572 325	388 645
Uniforms and overalls	53 189	11 294
Valuation costs	-	-
Other	24 999 784	25 721 734
	41 969 204	37 236 829
32 GAIN / (LOSS) ON SALE OF ASSETS		
Property, plant and equipment	(918 960)	(791 924)
Total Gain / (Loss) on Sale of Assets	(918 960)	(791 924)
33 CASH GENERATED BY OPERATIONS		
Surplus/(deficit) for the year	4 105 640	47 778 076
Adjustment for:-		
Depreciation and amortisation	25 654 484	23 823 725
(Gain) / loss on sale of assets	918 960	791 924
Finance costs	9 120 591	2 937 202
Interest earned	(15 096 190)	(12 903 107)
Other non-cash item	34 639 378	34 639 378
Operating surplus before working capital changes:	59 342 863	97 067 198
(Increase)/decrease in inventories	35 160	(227 693)
(Increase)/decrease in receivables	(30 127 337)	(7 743 688)
Increase/(decrease) in payables	17 075 986	(46 589 664)
Increase/(decrease) in consumer deposits	120 196	366 524
Cash generated by/(utilised in) operations	46 446 868	42 872 677
34 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position:		
Bank balances and cash	4 926 728	4 375 024
Short-term investment	670 960	673 430
Bank overdrafts	(7 103 618)	(21 209 710)
Net cash and cash equivalents (net of bank overdrafts)	(1 505 930)	(16 161 257)
35 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		

Maquassi Hills Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012	2011
	R	R
Long-term liabilities (see Note 17)		-
Used to finance property, plant and equipment – at cost		-
Cash invested for repayment of long-term liabilities		-
Long-term liabilities have been utilised in accordance with the Municipal Finance Management Act.		

37 CORRECTION OF ERROR

- 37.1** During the 2011/2012 year the following adjustments were made to transactions whereby amounts were erroneously stated in previous financial period: The comparative amounts have been restated as follows:

Transactions affecting the Statement of Financial Position

Current assets

VAT receivable - debtors

Balance previously reported 2010/11

Adjustment for 2010/11

Restated balance for 2010/2011

-

18 576 819

18 576 819

Current assets

Cash and cash equivalents

Balance previously reported 2010/11

Adjustment for 2010/11

Restated balance for 2010/2011

4 375 024

(111 908)

4 263 116

Current assets

VAT receivable

Balance previously reported 2010/11

Adjustment for 2010/11

Restated balance for 2010/2011

10 759 356

1 590 294

12 349 650

Current assets

Other receivables from non-exchange transactions

Balance previously reported 2010/11

Adjustment for 2010/11

Restated balance for 2010/2011

6 256 868

306

6 257 174

Current assets

Property, plant and equipment

Balance previously reported 2010/11

Adjustment for 2010/11

Restated balance for 2010/2011

478 219 984

37 625 747

515 845 731

Current liabilities

VAT payable

Balance previously reported 2010/11

Adjustment for 2010/11

Restated balance for 2010/2011

-

18 576 819

18 576 819

Current liabilities

Trade and other payables from exchange transactions

Maquassi Hills Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012	2011
	R	R
Balance previously reported 2010/11		34 897 627
Adjustment for 2010/11		16 727 258
Restated balance for 2010/2011		51 624 885

Transactions affecting the Statement of Financial Performance

Surplus / (deficit) for the period

Balance previously reported 2010/11		47 778 076
Adjustment for 2010/11		
Fines decrease		(111 909)
Rental of facilities and equipment		306
Depreciation and amortisation expense		(978 066)
Repairs and maintenance		(10 080)
Finance costs		(2 729 514)
Bulk purchases		(11 724 590)
Contracted services		(303 846)
General expenses		(368 935)
		31 551 443

38 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

38.1 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure

Opening balance -

Fruitless and wasteful expenditure current year	5 665 636	4 556 093
Interest and penalties on late payment of creditors	(3 247 019)	1 109 543

Appointment of 20 employees on 3 March 2008:CCMA settlement agreement

Condoned or written off by Council

Other

Fruitless and wasteful expenditure awaiting condonement	2 418 617	5 665 636
---	------------------	------------------

39 IN-KIND DONATIONS AND ASSISTANCE

Members of the Internal Auditing Section of the Dr Kenneth Kaunda District Municipality render auditing assistance to the municipality at no cost. Two MFMA officials were seconded by Provincial Treasury to the municipality to assist the municipality from 1 March 2012 till 28 February 2013, free of charge. One intern was seconded to the municipality by Provincial Treasury to assist the municipality from 4 June 2012 till 31 January 2013 at no cost.

40 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

40.1 Contributions to organised local government

Opening balance	-
-----------------	---

Maquassi Hills Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012	2011
	R	R
Council subscriptions - SALGA	108 667	108 667
Amount paid - current	108 667	108 667
Amount paid - previous years		
Balance unpaid (included in payables)	<u>-</u>	<u>-</u>

Maquassi Hills Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012	2011
	R	R
40.2 Audit fees		
Opening balance		530 830
Current year audit fee	3 487 874	1 792 818
Amount paid - current year	3 015 255	-
Amount paid - previous years	472 571	2 323 648
Balance unpaid (included in payables)	48	

40.3 VAT

Municipality is on the Payment basis for VAT and submit monthly returns

40.4 PAYE and UIF

Opening balance		
Current year payroll deductions and Council Contribution	5 741 230	5 895 903
Amount paid - current year	5 741 230	5 895 903
Balance unpaid (included in payables)	-	-

40.5 Pension and Medical Aid Deductions

Opening balance		
Current year payroll deductions and Council Contributions	11 741 727	12 941 513
Amount paid - current year	11 741 727	12 941 513
Balance unpaid (included in payables)	(0)	-

40.6 Councillor's arrear consumer accounts

The following Councillors had arrear accounts outstanding:

as at 30 June 2012

	-
N.L Tshingilane	1 519
K.S Seakane	17 125
M.S Sejeso	19 217
O.H Botsietseng	5 873
N.W Ntiane	3 047
B.J Mahumapelo	14 697
	61 478

as at 30 June 2011

N.L Tshingilane	
K.S Seakane	27 491
M.S Sejeso	

Maquassi Hills Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012	2011
	R	R
O.H Botsietseng		7 014
N.W Ntiane		1 202
B.J Mahumapelo		31 351
		<u>67 057</u>

Maquassi Hills Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012	2011
	R	R
41 CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure		
- Approved and contracted for	38 493 089	87 165 295
Infrastructure	35 249 237	86 637 795
Community	3 243 852	140 000
Heritage		
Other	-	387 500
- Approved but not yet contracted for	9 152 116	2 214 916
Infrastructure	4 829 865	1 767 000
Community	3 070 800	50 000
Heritage		
Other	1 251 451	397 916
Total	47 645 205	89 380 211

This expenditure will be financed from:

- External Loans	-	-
- MIG	30 444 877	42 857 292
- DBSA	-	-
- Government Grants	4 200 345	13 192 500
- Own resources	7 099 983	31 530 419
- District Council Grants	5 900 000	1 800 000
	47 645 205	89 380 211

The funder: District Municipality was directly responsible for the procurement of relevant assets and all contracts and procurement documentation are done and with the District Municipality. Maquassi Hills Local Municipality was only the beneficiary

42 LEASE LIABILITY

Municipality as Lessee

	Present value of minimum lease payments	Straightlined present value of minimum lease payments
Operating Leases: Office equipment		
Amounts payable under operating leases		
30 June 2012		
Within one year	381 634	341 367
Within two to five years	86 732	77 859
After 5 years	-	-
	468 366	419 226

Maquassi Hills Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012	2011
	R	R
Less: Amount due for settlement within 12 months (current portion)	381 634	341 367
	<u>86 732</u>	<u>77 859</u>

Maquassi Hills Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012	2011
	R	R
42 LEASE LIABILITY(cont.)		
Municipality as Lessee		
	Present value of minimum lease payments	Straightlined present value of minimum lease payments
Operating Leases: Office equipment		
Amounts payable under operating leases		
30 June 2011		
Within one year	886 247	761 870
Within two to five years	468 366	419 226
After 5 years	-	-
	<u>1 354 613</u>	<u>1 181 096</u>
Less: Amount due for settlement within 12 months (current portion)	<u>886 247</u>	<u>761 870</u>
	<u><u>468 366</u></u>	<u><u>419 226</u></u>

The lease liability was overstated during the 2010/2011 financial year. Correction of error during 2011/2012 financial year

The average lease term was 3-5 years and the average effective borrowing rate was 15%.

Interest rates are either fixed or variable at the contract date. All leases have fixed or variable repayments and in certain instances contingent rent is payable, as per stipulations in the lease agreements.

The municipality's obligation under operating leases are secured by the lessor's charge over the leased assets.

The municipality did not default on any of the interest or capital repayment of the operating leases

All risks and rewards of ownership remain with the lessor upon expiry of the lease and there is no option to purchase the leased assets.

There is no restriction imposed on the lease arrangements

Municipality as Lessor		
	Present value of minimum lease receipts	Straightlined present value of minimum lease payments
Operating Leases: Land and buildings		
Amounts payable under operating leases		
30 June 2012		
Within one year	91 709	86 776
Within two to five years	104 429	85 916
After 5 years	-	-
	<u>196 138</u>	<u>172 692</u>
Less: Amount due for receipt within 12 months (current portion)	<u>91 709</u>	<u>86 776</u>
	<u><u>104 429</u></u>	<u><u>85 916</u></u>

Maquassi Hills Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012	2011
	R	R
42 LEASE LIABILITY(cont.)		
	Present value of minimum lease receipts	Straightlined present value of minimum lease payments
Operating Leases: Land and Buildings		
Amounts payable under operating leases		
30 June 2011		
Within one year	128 632	128 939
Within two to five years	306 219	194 332
After 5 years	6 493	2 850
	<u>441 344</u>	<u>326 121</u>
Less: Amount due for settlement within 12 months (current portion)	128 632	128 939
	<u>312 712</u>	<u>197 183</u>

During the 2009/2010 and 2010/2011 financial years the operating leases where the municipality is the lessor, was disclosed as rental income. A correction of error was done during the 2011/2012 financial year.

The average lease term was 3-15 years and the average effective borrowing rate was 10%.

Interest rates are either fixed or variable at the contract date. All leases have fixed or variable repayments and in certain instances contingent rent is payable, as per stipulations in the lease agreements.

The municipality monitors rental payments and ensures debt control where needed.

No terms and conditions of the finance leases were re-negotiated.

All risks and rewards of ownership remain with the lessor upon expiry of the lease and there is no option to purchase the leased assets.

43 EVENTS AFTER THE REPORTING DATE

None

44 COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with that budgeted is set out in Appendix C

45 RELATED PARTIES

Section 57 Managers:

Refer note 25

Members of Council:

Refer note 26

Maquassi Hills Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012	2011
	R	R

District Municipality

Dr Kenneth Kaunda District Municipality

46 TRAFFIC FINES

Traffic fines issued not yet recovered at year end.	1 070 063	12 519 180
<u>Accounting:</u>		
Average for 6 years 2005/6, 2006/7, 2007/8, 2008/9, 2009/10, and 2010//2011)	30.84%	
<u>Estimated debtor to be raised for spot fines:</u>		
Average for 6 years less average % collected to date for 2011/2012		
30.84%-19.96%	10.88%	
Therefore: estimated recoverable amount		
R9 835 140 *10.88%	1 070 063.23	

47 RISK MANAGEMENT

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments.

The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Interest rate risk

Deposits attract interest at rate that vary with prime. The municipality's policy is to manage interest rate risk so that fluctuation in variable rates does not have a material impact on profit/loss.

The municipality's income and operating cash are substantially independent of changes in market rates.

The municipality has no significant interest bearing assets.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. Credit guarantee insurance is purchased when deemed appropriate.

Trade and trade receivables from non exchange transactions	34 539 523.5	6 256 868
Trade and trade receivables from exchange transactions	14 085 335.2	14 147 045
Short term investment deposits	670 960.1	1 798 794
Cash and cash equivalents	4 926 727.8	4 375 024
	54 222 546.6	26 577 731

48 CONTINGENCIES

Maquassi Hills Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012	2011
	R	R

Contingent liability

Request for representation from legal council regarding litigation and claims

49 WORLD CUP EXPENDITURE

2010 FIFA world cup expenditure for the year:

Number of tickets acquired -

Publicity costs, security expenses, entertainments,
meals, travelling and accommodation expense

Total none none -

52 EMPLOYEE BENEFITS

Post-employment Health Care Benefits

Opening accrued liability	12 877 400	11 534 171
Current-service cost	750 864	687 510
Interest Cost	1 167 826	1 045 323
Contributions (benefits paid)	(417 915)	(389 604)
Total annual expense	1 500 775	1 343 229
Actuarial loss / gain	4 757 064	
Closing accrued liability	19 135 239	12 877 400

The Projected Unit Credit Method has been used to value the liabilities

Key assumptions

Key financial assumptions

Assumption	2 012	2 011
Discount rate	8.07%	9.22%
Health care host inflation rate	7.10%	7.27%
Net effective discount rate	90.00%	1.82%

Key demographic assumptions

Assumption	2 012	2 011	
Average retirement age	60	60	
Continuation of membership at retirement	90%	90%	
Proportion assumed married at retirement	90%	90%	
Proportion of eligible current non-member employee joining the scheme by retirement	20%	20%	
Mortality during employment	SA 85 - 90	SA 85 - 90	
Mortality post retirement	PA90-1	PA90-1	
Withdrawal from service (sample annual rates)	Age	Females	Males
2011/2012	20	24.00%	16.00%
	30	15.00%	10.00%
	40	6.00%	6.00%
	50	2.00%	2.00%
	>55	0.00%	0.00%
	20	24.00%	

Maquassi Hills Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

		2012	2011
		R	R
2010/2011	30		
	40		
	50		
	>55		

52 EMPLOYEE BENEFITS(cont.)

The projections assume that the municipality's health care arrangements and subsidy policy will remain as outlined and that no contributions are made by the municipality towards prefunding its liability via an off-balance sheet vehicle.

Contributions or benefits paid refer to medical scheme contributions made by the municipality with respect to its subsidy of current continuation members

There are no Past Service Costs, Curtailments or Settlements to reflect.

Long Service awards

	2 012	2 011
Opening accrued liability	1 650 267	1 411 998
Total annual expense	39 958	238 269
Current-service cost	204 528	187 563
Interest cost	135 985	124 449
Benefit vestings	(300 555)	(73 743)
Actuarial loss / gain	308 891	
Closing accrued liability	1 999 116	1 650 267

The Projected Unit Credit Method has been used to value the liabilities.

Key assumptions

Key financial assumptions:

Assumption	2 012	2 011
Discount rate	6.63%	9.04%
Health care host inflation rate	5.96%	6.34%
Net effective discount rate	6.30%	2.54%

Key demographic assumption:

Assumption	Value		
Average retirement age	60		
Mortality during employment	SA 85 - 90		
Withdrawal from service (sample annual rates)	Age	Females	Male
2011/2012	20	24%	16.00%
		18.00%	12.00%
	30	15.00%	10.00%
		10.00%	8.00%
	40	6.00%	6.00%
		4.00%	4.00%
	50	2.00%	2.00%
	>55	-	-
	20	24.00%	
	25		
	30		

Maquassi Hills Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

		2012	2011
		R	R
2010/2011	35		
	40		
	45		
	50		
	55		

The projections assume that the LSA arrangements will remain as outlined and that all the actuarial assumptions made are borne out of practice. In addition, it is assumed that no contributions are made by the Employer towards prefunding its liability via an off-balance sheet vehicle.

There are no Past Service Costs, Curtailments or Settlements to reflect.

Full detail of actuarial valuation is available.

54 WATER DISTRIBUTION LOSS

Distribution losses relate to unaccounted for water. These losses mainly arise from illegal connections, errors in billing, bridging of meters by consumers and ageing infrastructure. The total percentage loss for water is 47.67% (36.97 % for 2011) The total percentage loss for electricity is 14.0%.

Maquassi Hills Local Municipality
STATEMENT OF CHANGES IN NET ASSETS
for the year ended 30 June 2012

	Note	Government Grant Reserve R	Capitalisation Reserve R	Capital Replacement Reserve R	Housing Development Fund R	Total: Reserves R	Accumulated Surplus/(Deficit) R	Total: Net Assets R	Total: Net Assets R
Balance at 30 June 2010		344 154 469	510 962	-	667 131	345 332 562	(10 271 956)	335 060 606	(10 271 956)
Changes in accounting policy	36	-	-	-	-	-	-	-	-
Correction of prior period error	37	-	-	-	-	-	(8 592 042)	(8 592 042)	(17 184 083)
Restated balance		344 154 469	510 962	-	667 131	345 332 562	(18 863 998)	326 468 564	(18 863 998)
Surplus / (deficit) on revaluation of property of property, plant and equipment		-	-	-	-	-	-	-	-
Property plant and equipment purchases		58 870 284	-	(3 043 516)	-	55 826 768	(55 826 768)	-	(55 826 768)
Depreciation		(18 019 941)	(50 667)	-	-	(18 070 609)	18 070 609	-	18 070 609
Sale of asset		(790 583)	-	-	-	(790 583)	790 583	-	790 583
Depreciation on sale of asset		-	-	-	-	-	-	-	-
Net gains and losses not recognised in the statement of financial performance		-	-	-	-	-	-	-	-
Adjustment accumulated surplus/(deficit)-employee benefits		-	-	-	-	-	-	-	-
Transfers to / from accumulated surplus/(deficit)		-	-	3 043 516	-	3 043 516	(3 043 516)	-	(3 043 516)
Surplus / (deficit) for the period		-	-	-	-	-	31 551 442	31 551 444	31 551 442
Balance at 30 June 2011		384 214 229	460 295	-	667 131	385 341 654	(27 321 647)	358 020 009	(27 321 647)
Surplus / (deficit) on revaluation of property of property, plant and equipment		-	-	-	-	-	-	-	-
Property plant and equipment purchases		31 260 227	-	(12 475 558)	-	18 784 669	(18 784 669)	-	(18 784 669)
Depreciation		(19 002 586)	(50 667)	-	-	(19 053 253)	19 053 253	-	19 053 253
Sale of asset		(905 437)	-	-	-	(905 437)	905 437	-	905 437
Depreciation on sale of asset		-	-	-	-	-	-	-	-
Net gains and losses not recognised in the statement of financial performance		-	-	-	-	-	-	-	-
Transfers to / from accumulated surplus/(deficit)		-	-	12 475 558	-	12 475 558	(12 475 558)	-	(12 475 558)
Surplus / (deficit) for the period		-	-	-	-	-	4 105 643	4 105 643	4 105 643
Balance at 30 June 2012		395 566 432	409 628	-	667 131	396 643 190	(34 517 540)	362 125 652	(34 517 540)

Maquassi Hills Local Municipality CASH FLOW STATEMENT for the year ended 30 June 2012			
	Note	2012 R	2011 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		289 649 820	289 649 820
Sales of goods and services		54 980 367	54 980 367
Grants		107 661 242	122 505 803
Interest received		670 220	681 038
Other receipts		126 337 992	111 482 612
Payments		252 960 532	246 777 143
Employee costs		52 169 728	52 169 728
Suppliers		191 670 213	191 670 213
Interest paid		9 120 591	2 937 202
Net cash flows from operating activities	33	36 689 288	42 872 677
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(14 380 811)	(84 095 507)
Proceeds from sale of fixed assets		-	-
Net cash flows from investing activities		(14 380 811)	(84 095 507)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		-	4 730 631
Repayment of borrowings		(1 095 267)	(8 567 027)
Net cash flows from financing activities		(1 095 267)	(3 836 396)
Net increase / (decrease) in net cash and cash equivalents		21 213 210	(45 059 225)
Net cash and cash equivalents at beginning of period		(16 161 256)	28 897 969
Net cash and cash equivalents at end of period	34	5 051 954	(16 161 256)

Maquassi Hills Local Municipality
SUMMARY OF ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012

1 PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

The annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next twelve months.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy

1.1 Significant judgements and sources of estimation uncertainty

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates. Significant judgements and underlying assumptions are reviewed on a constant basis. Significant judgements include:

1.1.1 Trade receivables and other receivables

The municipality assesses its trade receivables for impairment at each statement of financial position date. In determining whether an impairment loss should be recorded in the statement of financial performance, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables and other receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio.

1.1.2 Available-for-sale financial assets

In determining whether available-for-sale assets need to be impaired, significant judgement is necessary. In making this judgement, the municipality evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

1.1.3 Allowance for slow moving, damaged and obsolete stock

An allowance to write stock down to the lower of cost or net realisable value. Management has made estimates of the selling price and direct cost to self on certain inventory items. The write down is included in the operation surplus note.

1.1.4 Fair value estimation

The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

1.1.5 Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the fair value assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The Municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time.

1.1.6 Provisions

Provisions were raised and management determined an estimate based on the information available.

Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Provisions (cont.)

Assumptions were used in determining the provision for rehabilitation of landfill sites. Landfill areas are rehabilitated over years and assumptions were made that the areas may stay the same in size for a number of years. The increase in the restoration provision due to passage of time is recognised as borrowing cost in the statement of financial performance.

The estimates are discounted at a pre-tax discount rate that reflects current market assessments of the time value of money

1.1.7 Contingencies

Contingencies recognised in the current year required estimates and judgements. Additional disclosure of these contingencies is included in the relevant note.

1.1.8 Allowance for credit losses

On trade and other receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the carrying amount and the present value of estimated future cash flows computed at initial recognition.

1.1.9 Effective interest rate

The municipality uses the interest rate utilised by the municipality for any respective month when performing billing, which rate is prime plus 1% to discount future cash flows.

1.1.10 Post-retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions.

1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations

Investment Property (cont.)

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is recognised at fair value. The fair value of investment property reflects market conditions at the reporting date.

Fair value is determined by a certified property valuer on an annual basis.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the fair value of investment property under construction is not determinable, it is measured at cost until the earlier of the date it becomes determinable or construction is complete.

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

If the fair value of investment property under construction is not determinable, it is measured at cost until the earlier of the date it becomes determinable or construction is complete.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, are owner-occupied and are expected to be used during more than one period.

Property, plant and equipment are recognised as an asset when:

- It is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- The cost of the item can be measured reliably.

Property, plant and equipment are measured at cost, less accumulated depreciation and any impairment losses..

Land is not depreciated as it is deemed to have an indefinite life.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset, or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item could not be measured at its fair value; its cost is measured at the carrying amount of the asset given up.

The cost of an item of property, plant and equipment comprises of its purchase price, including other costs attributable to bring the asset to the location and condition necessary for it to be

Property, plant and equipment (cont.)

capable in the manner intended by management. Trade discounts import duties and non-refundable purchase taxes and any directly attributable costs

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met. If expenditure only restores the original best estimate of the expected useful life of the asset, then it is regarded as repairs and maintenance and is expensed.

Where an item of property, plant and equipment is acquired at no cost, it is initially recognised at its fair value as at the date of acquisition. Incomplete construction work is stated at historical cost and depreciated only when the asset is commissioned into use.

Major spare parts and standby equipment which are expected to be used for more than one accounting period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Depreciation is calculated on the depreciable amount (cost less residual value), using the straight line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:-

Component	Estimated lifespan		
Land			
Developed land	N/A		
Undeveloped land	N/A		
Buildings			
Dwellings			
Caravans	5	-	10
Children's homes	25	-	30
Homes for the aged	25		30
Hostels	25	-	30
Military personnel dwellings	25	-	30
Mobile homes	5	-	10
Places of safety (children)	25	-	30
Prisons and rehabilitation facilities	25	-	30
Residences (presidential, embassies)	25	-	30
Residences (personnel) include garages and parking	25	-	30
Secure care centres	25	-	30
Non Residential Dwellings			
Airport and associated buildings	25	-	30
Bus terminals	25	-	30
Bus shelters	10	-	15
Clinics and community health facilities	25	-	30
Community centres and public entertainment buildings	25	-	30
Driver and vehicle testing centres	25	-	30
Fire stations	25	-	30
Hospitals and ambulance stations	25	-	30
Industrial buildings	20	-	30
Libraries	25	-	30

Mortuaries	25	-	30
Office buildings (including air conditioning systems)	25	-	30
Public parking (covered and open)	25	-	30
Stadiums	25	-	30
Taxi ranks	10	-	15
Warehouses (storage facilities, including data)	25	-	30
Other Structures (Infrastructure Assets)			
Electricity			
Cooling towers	25	-	30
Mains	15	-	20
Meters			
Prepaid	10	-	20
Credit	20	-	25
Power stations			
Coal	50	-	60
Supply/reticulation	15	-	25
Transformers	25	-	60
Lines			
Underground	25	-	45
Overhead	20	-	30
Cables	25	-	45
Substations	20	-	60
Switchgear	20	-	30
 Outdoor	 20	 -	 30
GIS	15	-	30
Indoor	30	-	40
Electrical panels	3	-	5
Telemetry	7	-	15
Roads (Roads, Pavements, Bridges & Storm Water)			
Bridges			
Bridges - Concrete	60	-	80
Bridges – Steel	40	-	50
Bridges - Timber	25	-	40
Pedestrian			
Bridges - Concrete	60	-	80
Bridges – Steel	40	-	50
Bridges – Timber	25	-	40
Reinforced retaining walls			
Earth	10	-	15
Concrete	25	-	30
Expansion and construction joints	15	-	20
Storm Water			
Culverts	25	-	40
Concrete	40	-	60
Armco	25	-	40
Drains			
Earthworks	80	-	100
Concrete lining	25	-	50

Stop banks	40	-	50
Pipes	25	-	50
Storm water outfalls	60	-	80
Roads			
Kerb and channels	20	-	55
Municipal roads Asphalt surface	10	-	20
Asphalt layer	20	-	55
Concrete surface	10	-	30
Concrete layer	20	-	55
Gravel surface	3	-	20
Crash barriers	10	-	30
Retaining walls	20	-	60
Overload control centres	15	-	20
Electronic hardware	10	-	15
Other equipment	10	-	20
Street lighting	20	-	55
Traffic islands	40	-	50
Traffic lights	15	-	20
Traffic signs	5	-	15
Airports			
Runways	15	-	20
Taxiways	15	-	20
Water			
Dams: Structure			
- concrete	80	-	100
- earth	30	-	50
Mechanical and electrical	10	-	40
Meters	10	-	20
Standpipes	5	-	20
Metalwork (steel stairs, ladders, handrails, weirs)	0	-	30
Pump stations			
Structure	20	-	55
Electrical	10	-	40
Mechanical	10	-	40
Perimeter protection	10	-	25
Reservoirs			
Structure	20	-	50
Electrical	10	-	40
Mechanical	10	-	40
Perimeter protection	10	-	25
Supply/reticulation	20	-	55
Underground chambers			
Valves	10	-	25
Meters	10	-	20
Transition	10	-	15
Other	5	-	10
Water purification works			
Structure	20	-	55
Electrical	15	-	40

Mechanical	15	-	40
Perimeter protection	10	-	25
Meters	10	-	15
Telemetry	10	-	15
Sewerage			
Bulk pipelines (outfall sewers)			
Rising mains	20	-	50
Gravity mains	20	-	50
Sewerage pump stations			
Structure	20	-	55
Electrical	15	-	40
Mechanical	15	-	40
Perimeter protection	10	-	25
Metalwork	10	-	30
Sewers/reticulation	20	-	60
Waste purification works			
Structure	20	-	55
Electrical	15	-	40
Mechanical	15	-	40
Perimeter protection	10	-	25
Meters	10	-	15
Solid Waste Disposal			
Collection			
Vehicles	5	-	10
Containers/Bins	10	-	15
Landfill site			
Earthmoving and compaction equipment	10	-	15
Weighbridge			
Mechanical	15	-	40
Electrical	15	-	40
Perimeter protection	10	-	25
Railways			
Power supply units	25		30
Railway sidings	25	-	30
Railway tracks	15	-	20
Signalling systems	15		20
Shunting yards	25		30
Stations			
Trunk receiving	40	-	50
District regulating	40	-	50
Mains/pipelines	15	-	20
Meters	15	-	20
Storage facilities	15	-	20
Supply/reticulation	15	-	20
Cemeteries	25	-	30
Other Machinery and Equipment			
Audiovisual equipment	5	-	10
Building air conditioning systems	5	-	10
Cellular phones (over R5 000)	0	-	2

Cellular routers	3	-	5
Domestic equipment (non kitchen appliances))	3	-	5
Electric wire and power distribution equipment (compressors, generators & allied equipment)	5	-	7
Emergency/rescue equipment	5	-	10
Elevator systems	15	-	20
Farm/Agricultural equipment	5	-	15
Fire Fighting equipment	3	-	5
Fencing	5	-	25
Gardening equipment	2	-	4
Irrigation equipment	10	-	15
Kitchen appliances	5	-	10
Laboratory equipment - Agricultural	5	-	7
- Medical testing	5	-	7
- Roads and transport	5	-	7
Laundry equipment and industrial sewing machines	10	-	15
Learning, training support and library material	5	-	10
Machines for metallurgy	5	-	10
Machines for mining and quarrying	5	-	10
Machines for textile production	10	-	15
Medical and allied equipment	5	-	10
Music instruments	10	-	15
Photographic equipment	5	-	10
Pumps, plumbing, purification and sanitation equipment	5	-	10
Radio equipment	5	-	7
Road construction and maintenance equipment	10	-	15
Saddles and other tack	5	-	7
Security equipment/systems/ materials - Fixed	3	-	5
- Movable	3	-	5
Sport and recreational equipment	5	-	10
Survey equipment	5	-	7
Telecommunication equipment	3	-	10
Tents, flags and accessories	5	-	10
Woodworking machinery and equipment	5	-	10
Workshop equipment and loose tools - Fixed	5	-	10
- Movable	3	-	5
Furniture And Office Equipment			
Advertising boards	3	-	5
Air conditioners (individual fixed & portable)	3	-	5
Cutlery and crockery	5	-	10
Domestic and hostel furniture	10	-	15
Linen and soft furnishings	5	-	10
Office equipment (including fax machines)	5	-	7
Office furniture	5	-	7
Paintings, sculptures, ornaments (home and office)	5	-	10
Computer Equipment			
Computer hardware including operating systems	3	-	5
Networks	5	-	10
Transport Assets			

Aircraft	10	-	15
Aircraft engines	5	-	7
Airport transport equipment (stairs and luggage)	10	-	15
Busses	10	-	15
Cycles	4	-	7
Emergency vehicles (Ambulances and fire engines)	5	-	10
Mobile clinics	10	-	15
Motor vehicles	4	-	7
Trailers and accessories	5	-	10
Trucks	5	-	7
Intangible Assets			
Computer software	2	-	5

The depreciation charge for each period is recognised in surplus or deficit, unless it is included in the carrying amount of another asset.

1.3.1 Derecognition

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or losses arising from derecognition of an item of property, plant and equipment is included in the surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.3.2 Disposal of property, plant and equipment

The carrying values of assets are written off on disposal.

The difference between the net book value of assets (cost less accumulated depreciation) and the sales proceeds are reflected as a gain or loss in the Statement of Financial Performance.

1.3.3 Residual value

For tangible assets, such as property, plant and equipment or investment property, an asset only has a residual value when the useful life of the asset (the period the asset is used or available for use) is shorter than the economic life of the asset (the period the asset is used or

Residual value (cont.)

available for use by all users or owners of the asset). As the municipality plans to use the assets for the entire economic lives, the residual value may be negligible or even zero.

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated, owing to the uncertainty regarding their estimated useful lives. The municipality has taken advantage of the transitional period of three years for the implementation of GRAP 103. Land is not depreciated as it is deemed to have an indefinite life.

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated, owing to the uncertainty regarding their estimated useful lives. The municipality has taken advantage of the transitional period of three years for the implementation of GRAP 103. Land is not depreciated as it is deemed to have an indefinite life.

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

1.4 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

If an intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

Intangible assets (cont.)

For intangible assets with a finite useful life, the residual value is always deemed to be zero unless:

- A third party has committed to purchase the asset at the end of its useful life;
- There is an active market for the asset and;
- The residual value can be determined by reference to that market; and
- It is probable that such a market will exist at the end of the assets useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

For intangible assets with a finite useful life, the residual value is always deemed to be zero unless:

- Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, internally generated	3-5 years
Computer software, other	3-5 years
Intangible assets under development	3-5 years

1.5 Financial instruments

1.5.1 Classification

In determining whether a financial instrument is a financial asset, financial liability or a residual interest, an economic entity considers the substance of the contract and not just the legal form.

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Classification (cont.)

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Trade and other receivables from non-exchange transactions	Financial asset measured at amortised cost
Consumer debtors	Financial asset measured at amortised cost
Long term receivables	Financial asset measured at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Borrowings	Financial liability measured at amortised cost
Trade and other payables	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at fair value

1.5.2 Initial recognition and measurement

Financial assets and financial liabilities are initially recognised at fair value. Where an economic entity subsequently measures financial assets and financial liabilities at amortised cost or cost, transactions costs are included in the cost of the asset or liability.

Financial assets and financial liabilities are subsequently measured either at fair value or, amortised cost or cost.

A financial instrument is valued at fair value if it is:

- a derivative;
- a combined instrument designated at fair value, i.e. an instrument that includes a derivative and a non-derivative host contract;
- held-for-trading;
- a non-derivative instrument with fixed or determinable payments that is designated at initial recognition to be measured at fair value;
- an investment in a residual interest for which fair value can be measured reliably; and
- other instruments that do not meet the definition of financial instruments at amortised cost or cost.

A financial liability is derecognised when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where an economic entity modifies the term of an existing financial liability, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

A financial asset and financial liability are not offset ted in the statement of financial position unless a legal right of set-off exists, and the parties intend to settle on a net basis.

1.5.3 Impairment of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

1.5.3.1 Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

1.5.3.2 Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

The municipality derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the municipality is recognised as a separate asset or liability

The municipality classifies its non-derivative financial assets into the following categories:

- Held-to-maturity financial assets; and
- Loans and receivables.

1.5.4 Investments

Investments, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost

1.6 Trade and other receivables

1.6.1 Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables (cont.)

Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition

1.7 Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

1.8 Cash and cash equivalents

1.8.1 Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings.

1.8.2 Held to maturity investments

The municipality considers evidence of impairment for loans and receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant receivables and held-to-maturity investments are assessed for specific impairment

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the municipality has the positive intention and ability to hold to maturity are classified as held to maturity.

All individually significant loans and receivables and held-to-maturity investments found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables and held-to-maturity investments that are not individually significant are collectively assessed for impairment by grouping together loans and receivables and held-to-maturity investments with similar risk characteristics.

1.8.3 Financial liabilities and equity instruments

Financial liabilities are classified according to the substance of contractual agreements entered into. Trade and other payables are stated at their nominal value. Equity instruments are recorded at the amount received, net of direct issue costs.

1.8.4 Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- A gain or loss on a financial asset or financial liability classified as at fair value through surplus or deficit is recognised in surplus or deficit;
- A gain or loss on an available-for-sale financial asset is recognised directly in net assets, through the statement of changes in net assets, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in net assets is recognised in surplus or deficit; and
- For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired.

1.9 Derecognition

1.9.1 Impairment of financial assets

The municipality assesses at each Statement of Financial Position date whether a financial asset or group of financial assets is impaired.

1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership.

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

1.10.1 Operating leases – lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the

Operating leases – lessor (cont.)
lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance

1.10.2 Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in the statement of financial performance.

1.11 Inventories

Inventories include consumable stores, maintenance materials, spare parts for plant and equipment, work in progress and land and property held for sale. Cost is determined by the first-in- first out method and comprises all costs of purchases, costs of development, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Inventories are stated at the lower of cost and current replacement cost. Current replacement cost represents the cost the municipality would incur to acquire the asset on the reporting date. Where inventories are acquired at cost, or for nominal consideration, their costs are their fair value as at the date of acquisition.

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Inventory (cont.)

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Redundant and slow moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

Consumables are written down with regard to their age, condition and utility.

Unsold properties for the purpose of resale are accounted for as inventory.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.12 Employee benefits

1.12.1 Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

1.12.2 Other post retirement obligations

The municipality provides post-retirement health care benefits, to retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations.

1.13 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;

Provisions and contingencies (cont.)

- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

Discounting of consumer debtors is not calculated as the municipality is levying interest at prime plus 1% with default in payment after 30 days

A provision is used only for expenditures for which the provision was originally recognised.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding agreement.

After their initial recognition, contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the relevant note.

1.14 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Revenue from exchange transactions (cont.)

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

1.14.1 Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates

1.14.1.1 Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.14.1.2 Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by:

- surveys of work performed;
- services performed to date as a percentage of total services to be performed;
- the proportion that costs incurred to date bear to the total estimated costs of the transaction.

Revenue arising from application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of

Rendering of services (cont.)
licenses and permits.

1.14.1.3 Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised in surplus or deficit, using the effective interest rate method.

Dividends or their equivalents are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.15 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

1.15.1 Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

1.15.1.1 Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

1.15.1.2 Fines

Revenue from the issuing of fines is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

1.15.1.3 Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow of funds becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

1.15.1.4 Other grants and donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.16 Borrowing costs

All the other borrowing costs are recognized as an expense in the period in which they are incurred.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the Group on funds generally borrowed for the purpose of obtaining a qualifying asset.

1.17 Comparative figures

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed.

Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.18 Unauthorised expenditure

Unauthorised expenditure means:

- Overspending of a vote or a main division within a vote; and expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.19 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 Irregular expenditure

Irregular expenditure is expenditure other than unauthorised expenditure, incurred in contravention of, or that is not in accordance with a requirement of any applicable legislation.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority is recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account is created if such a person is liable in law. Immediate steps are thereafter taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register is updated accordingly.

1.21 Offsetting

Assets, liabilities, revenue and expenses have not been offset, except when offsetting is required or permitted by a Standard of Generally Recognised Accounting Practice (GRAP).

1.22 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

1.23 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

The annual financial statements and the budget are on the same basis of accounting, therefore a comparison with the budgeted amounts for the reporting period have been included in the annual financial statements.

1.24 Events after reporting date

Events after the reporting date are defined as favourable and unfavourable events that occur between the reporting date and the date the annual financial statements are authorised for issue.

The date of authorisation for issue is the date on which the Accounting Officer signs off the annual financial statements.

Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date)

1.25 Related parties

Related parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

Related parties include:

- Key management personnel, close members of the family of key management personnel and councillors

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Key management personnel include all directors or members of the municipal council of the reporting entity where that council has jurisdiction. The council, together with the Municipal Manager and Section 57 employees has authority and responsibility to plan and control the activities of the municipality, to manage the resources and for the overall achievement of municipal objectives. Therefore, key management personnel will include the Municipal Manager, Deputy Municipal Managers and Chief Financial Officer of the municipality

1.26 Risk Management

The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. The municipality does not hold any collateral as security beside that of consumer deposits.

1.26.1 Capital risk management

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

1.26.2 Financial risk management

The municipality's activities expose it to a variety of financial risks: local economic environment, market forces, cash flow interest rate risk and price risk, credit risk and liquidity risk.

1.26.3 Liquidity risk management

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an on-going review of future commitments and credit facilities.

1.26.4 Interest rate risk management

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

1.26.5 Credit risk management

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an on-going basis. The main risk is represented by the deterioration of on-time collection of property taxes and service charges.

Maquassi Hills Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

2012
R

2011
R

1 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

Cash on hand
Cash at bank

7 282	7 282
4 919 446	4 367 742
<u>4 926 728</u>	<u>4 375 024</u>

The Municipality has the following bank accounts: -

Current Account (Primary Bank Account)

ABSA Bank Limited
Account No. 4055605473
Branch Code:634540

Cash book balance at beginning of year

(21 209 710) (9 593 188)

Cash book balance at end of year

(7 103 618) (21 209 710)

Bank statement balance at beginning of year

1 945 727 293 696

Bank statement balance at end of year

851 129.02 1 945 727

Current Account (Other Account)(TMT)

ABSA Bank Limited
Account No. 4061545689
Branch Code:634540

Cash book balance at beginning of year

196 028 381 297

Cash book balance at end of year

546 740 196 028

Bank statement balance at beginning of year

381 297 381 297

Bank statement balance at end of year

259 405 381 297

Current Account (Other Account)(Bank Account Traffic)

ABSA Bank Limited
Account No. 4050989969
Branch Code:634540

Cash book balance at beginning of year

1 820 516 1 112 674

Cash book balance at end of year

2 247 589 1 820 516

Bank statement balance at beginning of year

912 488 363 654

Bank statement balance at end of year

1 441 433 912 488

Current Account (Other Account)(PMU)

ABSA Bank Limited
Account No. 4064023765
Branch Code:634540

Cash book balance at beginning of year

385 274 4 564 214

Cash book balance at end of year

49 535 385 274

Bank statement balance at beginning of year

193 641 4 892 082

Bank statement balance at end of year

49 535 193 641

Current Account (Other Account)(Future Development)

ABSA Bank Limited

Maquassi Hills Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012 R	2011 R
Account No. 40644584280 Branch Code:634540		
Cash book balance at beginning of year	702 094	709 888
Cash book balance at end of year	7 981	702 094
Bank statement balance at beginning of year	1 098	8 888
Bank statement balance at end of year	7 981	1 098
<u>Current Account (Other Account)(Housing Project)</u>		
ABSA Bank Limited Account No. 4062582537 Branch Code:634540		
Cash book balance at beginning of year	2 896	2 087 902
Cash book balance at end of year	-	2 896
Bank statement balance at beginning of year	2 896	2 087 902
Bank statement balance at end of year	-	2 896
<u>Current Account (Other Account)(Housing Development Fund)</u>		
ABSA Bank Limited Account No. 4055636965 Branch Code:634540		
Cash book balance at beginning of year	27 251	27 551
Cash book balance at end of year	26 800	27 251
Bank statement balance at beginning of year	27 251	27 551
Bank statement balance at end of year	26 800	27 251
<u>Current Account (Other Account)(Tsweleng Housing)</u>		
Fist National Bank Account No. 54311117765 Branch Code:240638		
Cash book balance at beginning of year	620 818	621 139
Cash book balance at end of year	619 984	620 818
Bank statement balance at beginning of year	620 818	621 139
Bank statement balance at end of year	619 983	620 818
<u>Current Account (Other Account)(Kgakala Housing)</u>		
ABSA Bank Limited Account No. 4049678703 Branch Code:634540		
Cash book balance at beginning of year	98 806	98 477
Cash book balance at end of year	97 717	98 806
Bank statement balance at beginning of year	98 806	98 477
Bank statement balance at end of year	97 717	98 806
1 CASH AND CASH EQUIVALENTS(cont.)		
<u>Current Account (Other Account)</u>		

Maquassi Hills Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012 R	2011 R
ABSA Bank Limited Account No. 4055686261 Branch Code:634540		
Cash book balance at beginning of year	101 513	2 670 711
Cash book balance at end of year	874 352	101 513
Bank statement balance at beginning of year	101 513	2 670 711
Bank statement balance at end of year	874 353	101 513
<u>Current Account (Other Account)</u>		
ABSA Bank Limited Account No. 4052543232 Branch Code:634540		
Cash book balance at beginning of year	78 119	77 726
Cash book balance at end of year	78 181	78 119
Bank statement balance at beginning of year	78 119	77 726
Bank statement balance at end of year	78 181	78 119
<u>Current Account</u>		
ABSA Bank Limited Account No 4064692380. Branch Code:634540		
Cash book balance at beginning of year	22 691	
Cash book balance at end of year	20 815	22 691
Bank statement balance at beginning of year		
Bank statement balance at end of year	20 815	
<u>Current Account (Other Account)</u>		
Fist National Bank Account No. 62022159538 Branch Code:240638		
Cash book balance at beginning of year	2 745	2 718
Cash book balance at end of year	-	2 745
Bank statement balance at beginning of year	2 745	2 718
Bank statement balance at end of year	-	2 745
<u>Current Account (Other Account)</u>		
ABSA Bank Limited Account No. 9126643503 Branch Code:634540		
Cash book balance at beginning of year	278 957	262 680
Cash book balance at end of year	294 168	278 957
Bank statement balance at beginning of year	278 957	262 680
Bank statement balance at end of year	294 168	278 957

Maquassi Hills Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012 R	2011 R
<u>Current Account (Other Account)</u>		
ABSA Bank Limited Account No. 4067021033 Branch Code:634540		
Cash book balance at beginning of year	15	7 467
Cash book balance at end of year	-	15
Bank statement balance at beginning of year	15	7 467
Bank statement balance at end of year	-	15
1 CASH AND CASH EQUIVALENTS(cont.)		
<u>Current Account (Other Account)</u>		
ABSA Bank Limited Account No. 9138622959 Branch Code:634540		
Cash book balance at beginning of year	52 709	49 634
Cash book balance at end of year	55 583	52 709
Bank statement balance at beginning of year	52 709	49 634
Bank statement balance at end of year	55 583	52 709
<u>Cash on hand</u>	7 282	7 282
Total cash and cash equivalents	4 919 446	4 367 742
Total bank overdraft	(7 103 618)	(21 209 710)

2 TRADE AND TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balance R	Impairment R	Net Balance R
as at 30 June 2012			
Electricity	6 794 248	(2 504 972)	4 289 276
Water	80 015 889	(75 679 098)	4 336 791
Sewerage	58 085 724	(54 508 371)	3 577 353
Refuse	31 159 447	(29 277 532)	1 881 915
Total	176 055 309	(161 969 973)	14 085 335
as at 30 June 2011			
Electricity	5 939 068	(1 255 732)	4 683 337
Water	59 116 625	(56 115 393)	3 001 232
Sewerage	44 486 519	(42 450 959)	2 035 560
Refuse	24 591 103	(20 164 187)	4 426 916
Total	134 133 316	(119 986 271)	14 147 045

Ageing as at 30 June 2012

	Electricity, Water, Sewerage, Cleansing
Current (0 – 30 days)	6 790 944
31 - 60 Days	3 876 402
61 - 90 Days	3 763 459
91+ Days	161 624 503
Total	176 055 308

Maquassi Hills Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

2012
R
2011
R

**2 TRADE AND TRADE RECEIVABLES FROM EXCHANGE
TRANSACTIONS(cont.)**

Ageing as at 30 June 2011

	Electricity, Water, Sewerage, Cleansing
Current (0 – 30 days)	6 790 944
31 - 60 Days	3 876 402
61 - 90 Days	3 763 459
91+ Days	119 702 511
Total	<u>134 133 316</u>

Impairment criteria

Impairment is done on debtor accounts with zonings of Residential and Agriculture. Impairment is calculated as follows:

- 100% of outstanding balance on all inactive accounts as at 30 June of the year under review.
- 100% of outstanding amounts on all indigent accounts as at 30 June of the year under review.
- a percentage equal to the non-payment for the year under review for each debtor account, calculated on the outstanding
- amount.

Movement in provision for credit losses

2012
2011

Balance at beginning of the year	162 384 165	127 814 693
Contributions to provision	54 227 461	50 554 103
Doubtful debts written off against provision		(15 984 631)
Reversal of provision		
Balance at end of year	<u>216 611 626</u>	<u>162 384 165</u>

Maquassi Hills Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

2012
R

2011
R

3 TRADE AND TRADE RECEIVABLES FROM NON -EXCHANGE TRANSACTION:

<u>as at 30 June 2012</u>	Gross Balances	Impairment	Net Balance
Subsidies	1 107 947		1 107 947
Other debtors - billing	64 999 096	(37 113 653)	27 885 443
Other debtors	2 092 564		2 092 564
Property rates	20 981 569	(17 528 000)	3 453 569
Total Other Debtors	89 181 176	(54 641 653)	34 539 523

As at 30 June 2011

Subsidies	1 107 947		1 107 947
Other debtors - billing	32 700 294	(32 373 234)	327 060
Other debtors	1 610 615	(1 000 000)	610 615
Property rates	16 303 336	(14 020 965)	2 282 371
Prepaid expenses	22 483		22 483
Total Other Debtors	51 744 676	(47 394 199)	4 350 477

4 INVENTORIES

Opening balance of inventories:

Consumable, maintenance and spare parts stores - at cost 856 866 629 173

Additions:

Consumable, maintenance and spare parts stores 888 731 1 360 971

Issued (expensed):

Consumable, maintenance and spare parts stores (923 891) (1 133 278)

Closing balance of inventories:

Consumable, maintenance and spare parts stores 821 706 856 866

5 INVESTMENTS

Collateral	-	19 549
Call investments	670 960	653 881
Total Investments (for detail see Appendix E)	670 960	673 430

6 NON-CURRENT RECEIVABLES

Housing selling scheme loans	-	-
Other non-current receivables	-	-
Less : Current portion transferred to current receivables	-	-
Housing selling scheme loans	-	-
Other non-current receivables	-	-
Total	-	-

Maquassi Hills Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

7 PROPERTY, PLANT AND EQUIPMENT

Reconciliation of Carrying Value

as at 1 July 2011

Cost/Revaluation
Correction of error
Change in accounting policy
Accumulated depreciation and impairment losses

Acquisitions
Capital under Construction
Depreciation

Carrying value of disposals

Cost/Revaluation
Accumulated depreciation and impairment losses

Impairment loss/Reversal of impairment loss
Transfers
Other movements*

as at 30 June 2012

Cost/Revaluation
Accumulated depreciation and impairment losses

Land	Buildings	Infrastructure	Community	Heritage	Other Assets	Finance lease assets
R	R	R	R	R	R	R
15 987 797	32 022 177	430 515 952	797 843	-	9 660 070	-
18 921 996	36 925 795	513 242 032	997 304	-	21 486 000	-
(2 934 199)	(4 903 618)	(82 726 080)	(199 461)	-	(11 825 930)	-
-	3 518 187	9 323 477	-	-	1 539 147	-
-	4 216 575	57 798 370	-	-	-	-
(978 066)	(1 244 110)	(20 993 689)	(33 243)	-	(2 391 659)	-
-	-	-	-	-	(916 182)	-
-	-	-	-	-	(1 618 485)	-
-	-	-	-	-	702 303	-
-	-	-	-	-	-	-
-	-	(7 360 597)	-	-	-	-
-	(6 099 416)	(19 214 737)	-	-	-	-
15 009 731	32 413 414	450 068 776	764 600	-	7 891 376	-
18 921 996	38 561 142	553 788 545	997 304	-	21 406 662	-
(3 912 266)	(6 147 729)	(103 719 769)	(232 704)	-	(13 515 286)	-

Refer to Appendix B for more detail on property, plant and equipment

Maquassi Hills Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

7 PROPERTY, PLANT AND EQUIPMENT(cont.)

Reconciliation of Carrying Value	Land	Buildings	Infrastructure	Community	Heritage	Other Assets	Finance lease assets
	R	R	R	R	R	R	R
as at 1 July 2010	16 965 863	15 319 580	359 340 388	831 086	-	12 354 703	-
Cost/Revaluation	18 921 996	18 995 933	422 182 223	997 304	-	22 193 830	-
Correction of error							
Change in accounting policy							
Accumulated depreciation and impairment losses	(1 956 133)	(3 676 354)	(62 841 835)	(166 217)	-	(9 839 127)	-
Acquisitions	-	11 830 447	71 845 072	-	-	419 988	-
Capital under Construction	-	6 099 416	19 214 737	-	-	-	-
Depreciation	(978 066)	(1 227 264)	(19 884 245)	(33 243)	-	(2 669 614)	-
Carrying value of disposals	-	-	-	-	-	(791 924)	-
Cost/Revaluation	-	-	-	-	-	(1 568 607)	-
Accumulated depreciation and impairment losses	-	-	-	-	-	776 683	-
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	440 789	-
*Other movements	-	-	-	-	-	(93 872)	-
as at 30 June 2011	15 987 797	32 022 177	430 515 952	797 843	-	9 660 070	-
Cost/Revaluation	18 921 996	36 925 795	513 242 032	997 304	-	21 486 000	-
Accumulated depreciation and impairment losses	(2 934 199)	(4 903 618)	(82 726 080)	(199 461)	-	(11 825 930)	-

The residual value, useful life and depreciation method of each asset were not reviewed at the end of the reporting period.

Refer to Appendix B for more detail on property, plant and equipment

36 925 795

Total
R
488 983 839
591 573 128
-
-
(102 589 289)
14 380 811
62 014 945
(25 640 768)
(916 182)
(1 618 485)
702 303
-
(7 360 597)
(25 314 153)
506 147 896
633 675 649
(127 527 753)

Total
R
404 811 621
483 291 287
-
-
(78 479 666)
84 095 507
25 314 153
(24 792 434)
(791 924)
(1 568 607)
776 683
-
440 789
(93 872)
488 983 839
591 573 128
(102 589 289)

Maquassi Hills Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

8 INTANGIBLE ASSETS

Reconciliation of carrying value	Computer Software R	Other* R
as at 1 July 2011	50 840	-
Cost	695 694	-
Correction of error		
Change in accounting policy		
Accumulated amortisation and impairment losses	(644 854)	-
Acquisitions	14 778	-
Amortisation	(13 717)	-
Carrying value of disposals	(2 778)	-
Cost	(4 364)	-
Accumulated amortisation	1 585	-
Impairment loss/Reversal of impairment loss	-	-
Transfers	-	-
Other movements	-	-
as at 30 June 2012	49 124	-
Cost	706 109	-
Accumulated amortisation and impairment losses	(656 985)	-

Reconciliation of carrying value	Computer Software R	Other* R
as at 1 July 2010	378 437	-
Cost	1 107 806	-
Correction of error		
Change in accounting policy		
Accumulated amortisation and impairment losses	(729 369)	-
Acquisitions	28 677	-
Amortisation	(9 357)	-
Carrying value of disposals	-	-
Cost	-	-
Accumulated amortisation	-	-
Impairment loss/Reversal of impairment loss	-	-
Transfers	(440 789)	-
Other movements	93 872	-
as at 30 June 2011	50 840	-
Cost	695 694	-
Accumulated amortisation and impairment losses	(644 854)	-

The residual value, useful life and depreciation method of each asset were not reviewed at the end of the r

Maquassi Hills Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

9 INVESTMENT PROPERTY CARRIED AT COST

Reconciliation of carrying value	Investment property X R	Investment property Y R
as at 1 July 2011	-	-
Cost	-	-
Correction of error		
Change in accounting policy		
Accumulated depreciation and impairment losses	-	-
Acquisitions	-	-
Depreciation	-	-
Carrying value of disposals	-	-
Cost	-	-
Accumulated depreciation	-	-
Impairment loss/Reversal of impairment loss	-	-
Transfers	-	-
Other movements	-	-
as at 30 June 2012	-	-
Cost	-	-
Accumulated depreciation and impairment losses	-	-
Reconciliation of carrying value	Investment property R	Investment property R
as at 1 July 2010	-	-
Cost	-	-
Correction of error		
Change in accounting policy		
Accumulated depreciation and impairment losses	-	-
Acquisitions	-	-
Depreciation	-	-
Carrying value of disposals	-	-
Cost	-	-
Accumulated depreciation	-	-
Impairment loss/Reversal of impairment loss	-	-
Transfers	-	-
Other movements	-	-
as at 30 June 2011	-	-
Cost	-	-
Accumulated depreciation and impairment losses	-	-

In terms of Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities, the Maquassi Municipality has identified all municipal property but due to the fact that the municipality has taken advantage of the provisions, has not yet classified these properties between Property, Plant and Equipment, Inventory and Intangible Assets. The market values of these properties have not yet been divided between land and buildings values. The reconciliation has been forwarded to the municipal valuer.

The residual value, useful life and depreciation method of each asset were not reviewed at the end of the reporting period.

**Total
R**

50 840
695 694
-
-
(644 854)

14 778
(13 717)

(2 778)
(4 364)
1 585

-
-
-

49 124

706 109
(656 985)

**Total
R**

378 437
1 107 806
-
-
(729 369)

28 677
(9 357)

-
-
-

-
(440 789)
93 872

695694.23
-

0

-4363.53

706108.9

644854

13716.79

0

50 840

695 694
(644 854)

reporting period.

**Total
R**

-
-
-
-
-

-
-

-
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-

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-

**Total
R**

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Hills Local
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vestment Property.
quest will be

eporting period.

0	-1585.42	656985.4	49123.53	0	0	0	0	0	0	706108.9
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Maquassi Hills Municipality
APPENDIX D
SUPPLY CHAIN DEVIATIONS
for the year ended 30 June 2012

No.	Deviation	Contract value	Service Provider	Reason for deviation	Request date	Approval date	Department
1							
2							
3							
4							
5	As per Register fo irregular expenditure						
6							
11							
12							

Total value:

-

Maquassi Hills Local Municipality

APPENDIX A

SCHEDULE OF EXTERNAL LOANS

for the year ended 30 June 2012

EXTERNAL LOANS	Loan number	Redeemable Date	Balance at 30 June 2011	Received during the period	Redeemed / written off during the period	Balance at 30 June 2012
			R	R	R	R
ANNUITY LOAN : DBSA						
1979 @ 11.00% 9	15579/9	2 010	-			-
1985 @ 13.75% 16	15249/101	2 014	269 231		64 529	204 702
1988 @ 13.75% 19	15249	2 014	136 290		39 503	96 787
1988 @ 16.12% 10		2 007	-			-
1989 @ 15.88% 11	15579/11	2 008	-			-
	102801_7 &					
2010 @ 5% 11	102801_8	2 029	50 730 631			50 730 631
			-			-
			-			-
			-			-
Vehicle Loan (R2,000,000)	102623/1		445 275		445 275	-0
Sewer Loan (Kgakala)	10263/102		1 030 625		148 558	882 067
2008 @5% 20	102901/1	2 028	474 162		18 113	456 049
2008 @5% 15	102901/2	2013/2023	569 962		290 542	279 420
2008 @5% 15	102901/3	2013/2023	1 283 091		80 676	1 202 415
			-			-
Wesbank Loans						
2006 Mayoral Vehicle prime less 1		2 006	-			-
2008 BMW		2 008	-			-
			-			-
			-			-
Annuity loans: ABSA						
1999 @ 14.50%	INCA	2 013	17 354		8 071	9 283
TOTAL EXTERNAL LOANS			54 956 620	-	1 095 267	53 861 352

Maquassi Hills Local Municipality
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
for the year ended 30 June 2012

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R
Land												
Land	5 223 942	-	-	-	5 223 942	-	-	-	-	-	-	-
Landfill Sites	13 698 055	-	-	-	13 698 055	(2 934 199)	(978 066)	-	-	(3 912 266)	-	-
Quarries	-	-	-	-	-	-	-	-	-	-	-	-
	18 921 996	-	-	-	18 921 996	(2 934 199)	(978 066)	-	-	(3 912 266)	-	-
Buildings	36 925 795	3 518 187	-	4 216 575	44 660 558	(4 903 618)	(1 244 110)	-	-	(6 147 729)		(6 099 416)
Infrastructure												
Drains	-	-	-	-	-	-	-	-	-	-	-	-
Roads	136 693 934	-	-	47 730 513	184 424 447	(13 075 856)	(4 536 181)	-	-	(17 612 036)	(7 360 597)	(9 709 033)
Sewerage Mains & Purification	95 502 468	8 892 832	-	10 067 856	114 463 157	(13 533 361)	(3 328 117)	-	-	(16 861 477)	-	(9 505 704)
Electricity Mains	7 748 497	238 713	-	-	7 987 209	(2 510 479)	(349 862)	-	-	(2 860 341)	-	-
Electricity Peak Load Equip	-	-	-	-	-	-	-	-	-	-	-	-
Water Mains & Purification	273 297 133	191 932	-	-	273 489 065	(53 606 385)	(12 779 530)	-	-	(66 385 915)	-	-
Reservoirs – Water	-	-	-	-	-	-	-	-	-	-	-	-
Water Meters	-	-	-	-	-	-	-	-	-	-	-	-
Storm Water	-	-	-	-	-	-	-	-	-	-	-	-
	513 242 032	9 323 477	-	57 798 370	580 363 879	(82 726 080)	(20 993 689)	-	-	(103 719 769)	(7 360 597)	(19 214 737)
Community Assets												
Parks & Gardens	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-
Recreation Grounds	-	-	-	-	-	-	-	-	-	-	-	-
Civic Buildings	-	-	-	-	-	-	-	-	-	-	-	-
Stadiums	-	-	-	-	-	-	-	-	-	-	-	-
Halls	-	-	-	-	-	-	-	-	-	-	-	-
Theatre	-	-	-	-	-	-	-	-	-	-	-	-
Swimming Pools	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	997 304	-	-	-	997 304	(199 461)	(33 243)	-	-	(232 704)	-	-
	997 304	-	-	-	997 304	(199 461)	(33 243)	-	-	(232 704)	-	-
Heritage Assets												
Historical Buildings	-	-	-	-	-	-	-	-	-	-	-	-
Paintings & Artefacts	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
Total carried forward	570 087 128	12 841 664	-	62 014 945	644 943 737	(90 763 358)	(23 249 109)	-	-	(114 012 467)	(7 360 597)	(25 314 153)

Maquassi Hills Local Municipality
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
for the year ended 30 June 2012

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R
Total brought forward	570 087 128	12 841 664	-	62 014 945	644 943 737	(90 763 358)	(23 249 109)	-	-	(114 012 467)	(7 360 597)	(25 314 153)
Other Assets												
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	2 472 344	106 788	-	-	2 579 133	(1 388 587)	(226 791)	-	-	(1 615 378)	-	-
Bins and Containers	630 980	-	-	-	630 980	(502 925)	(19 698)	-	-	(522 623)	-	-
Emergency Equipment	-	-	-	-	-	-	-	-	-	-	-	-
Motor vehicles	12 897 662	1 027 600	(1 602 882)	-	12 322 381	(6 691 972)	(1 441 162)	697 444	-	(7 435 689)	-	-
Fire engines	-	-	-	-	-	-	-	-	-	-	-	-
Refuse tankers	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	2 873 821	155 740	(12 538)	-	3 017 024	(1 474 132)	(469 988)	4 249	-	(1 939 871)	-	-
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	2 170 403	249 018	(3 066)	-	2 416 356	(1 327 526)	(234 019)	609	-	(1 560 936)	-	-
	21 045 211	1 539 147	(1 618 485)	-	20 965 873	(11 385 141)	(2 391 659)	702 303	-	(13 074 497)	-	-
Finance Lease Assets												
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
Total	591 132 339	14 380 811	(1 618 485)	62 014 945	665 909 610	(102 148 500)	(25 640 768)	702 303	-	(127 086 964)	(7 360 597)	(25 314 153)

(916 182)

Maquassi Hills Local Municipality
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
for the year ended 30 June 2011

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R
Land												
Land	5 223 942	-	-		5 223 942				-	-	-	-
Landfill Sites	13 698 055	-	-	-	13 698 055	(1 956 133)	(978 066)	-	-	(2 934 199)	-	-
Quarries	-	-	-	-	-	-	-	-	-	-	-	-
	18 921 996	-	-	-	18 921 996	(1 956 133)	(978 066)	-	-	(2 934 199)	-	-
Buildings	18 995 933	11 830 447	-	6 099 416	36 925 795	(3 676 354)	(1 227 264)	-	-	(4 903 618)	-	-
Infrastructure												
Drains	-	-	-	-	-	-	-	-	-	-	-	-
Roads	67 405 832	59 579 068	-	9 709 033	136 693 934	(9 387 458)	(3 688 398)	-	-	(13 075 856)	-	-
Sewerage Mains & Purification	85 526 176	470 588	-	9 505 704	95 502 468	(10 664 548)	(2 868 812)	-	-	(13 533 361)	-	-
Electricity Mains	7 748 497	-	-	-	7 748 497	(2 166 738)	(343 741)	-	-	(2 510 479)	-	-
Electricity Peak Load Equip	-	-	-	-	-	-	-	-	-	-	-	-
Water Mains & Purification	261 501 718	11 795 415	-	-	273 297 133	(40 623 091)	(12 983 295)	-	-	(53 606 385)	-	-
Reservoirs – Water	-	-	-	-	-	-	-	-	-	-	-	-
Water Meters	-	-	-	-	-	-	-	-	-	-	-	-
Storm Water	-	-	-	-	-	-	-	-	-	-	-	-
	422 182 223	71 845 072	-	19 214 737	513 242 032	(62 841 835)	(19 884 245)	-	-	(82 726 080)	-	-
Community Assets												
Parks & Gardens	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-
Recreation Grounds	-	-	-	-	-	-	-	-	-	-	-	-
Civic Buildings	-	-	-	-	-	-	-	-	-	-	-	-
Stadiums	-	-	-	-	-	-	-	-	-	-	-	-
Halls	-	-	-	-	-	-	-	-	-	-	-	-
Theatre	-	-	-	-	-	-	-	-	-	-	-	-
Swimming Pools	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	997 304	-	-	-	997 304	(166 217)	(33 243)	-	-	(199 461)	-	-
	997 304	-	-	-	997 304	(166 217)	(33 243)	-	-	(199 461)	-	-
Heritage Assets												
Historical Buildings	-	-	-	-	-	-	-	-	-	-	-	-
Paintings & Artefacts	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
Total carried forward	461 097 457	83 675 518	-	25 314 153	570 087 128	(68 640 539)	(22 122 820)	-	-	(90 763 358)	-	-

Maquassi Hills Local Municipality
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
for the year ended 30 June 2011

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R
Total brought forward	461 097 457	83 675 518	-	25 314 153	570 087 128	(68 640 539)	(22 122 820)	-	-	(90 763 358)	-	-
Other Assets												
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	2 407 949	64 396	-	-	2 472 344	(1 140 699)	(247 888)	-	-	(1 388 587)	-	-
Bins and Containers	630 980	-	-	-	630 980	(483 227)	(19 698)	-	-	(502 925)	-	-
Emergency Equipment	-	-	-	-	-	-	-	-	-	-	-	-
Motor vehicles	14 289 095	148 861	(1 540 294)	-	12 897 662	(5 779 764)	(1 664 018)	751 810	-	(6 691 972)	-	-
Fire engines	-	-	-	-	-	-	-	-	-	-	-	-
Refuse tankers	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	2 702 886	197 607	(26 671)	-	2 873 821	(1 354 121)	(491 499)	24 572	-	(1 821 048)	440 789	(93 872)
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	2 203 920	(31 875)	(1 642)	-	2 170 403	(1 081 316)	(246 511)	301	-	(1 327 526)	-	-
	22 234 830	378 988	(1 568 607)	-	21 045 211	(9 839 127)	(2 669 614)	776 683	-	(11 732 058)	440 789	(93 872)
Finance Lease Assets												
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
Total	483 332 287	84 054 507	(1 568 607)	25 314 153	591 132 339	(78 479 666)	(24 792 434)	776 683	-	(102 495 417)	440 789	(93 872)

Carrying Value
R
5 223 942
9 785 789
-
15 009 731
32 413 414
-
149 742 781
88 095 975
5 126 869
-
207 103 150
-
-
-
450 068 776
-
-
-
-
-
-
-
764 600
764 600
-
-
-
498 256 520

Carrying Value
R
498 256 520
-
963 755
108 357
-
4 886 691
-
-
1 077 153
-
855 420
7 891 376
-
-
-
506 147 896

Carrying Value
R
5 223 942
10 763 855
-
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15 987 797
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32 022 177
-
123 618 078
81 969 108
5 238 018
-
219 690 748
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430 515 952
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797 843
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797 843
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479 323 769

Carrying Value
R
479 323 769
-
1 083 758
128 055
-
6 205 690
-
-
1 399 690
-
842 877
9 660 070
-
-
-
488 983 839

Maquassi Hills Municipality

APPENDIX C

ACTUAL VERSUS BUDGET: (REVENUE AND EXPENDITURE)

for the year ended 30 June 2012

	2012 Actual R	2012 Budget R	2012 Variance R	2012 Variance
Revenue				
Property rates	18 619 911	22 117 282	(3 497 371)	-15.81%
Service charges	93 769 067	90 340 664	3 428 403	3.79%
Rental of facilities and equipment	211 087	541 330	(330 243)	-61.01%
Interest earned - external investments	670 220	1 600 000	(929 780)	-58.11%
Interest earned - outstanding debtors	14 425 971	5 000 000	9 425 971	188.52%
Dividends received	1 699	600	1 099	
Fines	3 026 987	7 586 600	(4 559 613)	-60.10%
Licences and permits	9 916 387	11 680 000	(1 763 613)	-15.10%
Government grants and subsidies	107 661 242	115 636 700	(7 975 458)	-6.90%
Other income	1 380 233	615 700	764 533	124.17%
Gains on disposal of property, plant and equipment	-		-	
Total revenue	249 682 803	255 118 876	(5 436 073)	(0)
Expenditure				
Employee cost wages / salaries	36 920 543	44 698 150	(7 777 607)	-17.40%
Employee cost social contributions	8 972 458	10 442 762	(1 470 304)	-14.08%
Remuneration Councillors	6 203 747	7 269 034	(1 065 287)	-14.66%
Debt impairment	54 227 461	26 054 410	28 173 051	108.13%
Depreciation	25 654 484	28 949 364	(3 294 880)	-11.38%
Repairs and maintenance	2 906 684	8 074 870	(5 168 186)	-64.00%
Internal expense external borrowing	5 902 027	3 114 960	2 787 067	89.47%
Bulk Purchases	53 460 778	41 922 932	11 537 846	27.52%
Contracted Services	6 354 569	11 315 055	(4 960 486)	-43.84%
General expenses other	37 395 201	64 671 773	(27 276 572)	-42.18%
Loss on disposal of property, plant and equipment	918 960		918 960	
Total expenditure	238 916 912	246 513 310	(7 596 398)	-3.08%
Surplus / (deficit)	10 765 891	8 605 566	2 160 325	100.00%

Maquassi Hills Local Municipality

APPENDIX E

SCHEDULE OF INVESTMENTS

for the year ended 30 June 2012

<i>No</i>	Invested with:	Account No.	Balance	Invested	W/Drawn	Balance as at	Accrued	Interest	
			01-Jul-11			30-Jun-12	Interest	Received	Total Interest
1	NEDBANK	7065000036	-0.00	-	-	-0.00	-	-	-
2	FNB	71093408436	277 710.89	17 079.21	-	294 790.10	9 973.72	1 953.22	11 926.94
3	ABSA	2057750696	360 000.00	-	-	360 000.00	-	-	-
4	SWK SHARES WOLM		7 433.00	-	-	7 433.00	-	-	-
5	SWK SHARES LDS		5 431.00	-	-	5 431.00	-	-	-
6	SWK SHARES MQ		3 306.00	-	-	3 306.00	-	-	-
7	ABSA	2048670504	4 441.79	398.59	-4 840.38	-	-	377.56	377.56